

Message Text

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15

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 DODE-00 PA-01 PRS-01 INT-05 /090 W

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R 152130Z MAR 76

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 7716

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

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E. O. 11652: N/A

TAGS: EMIN, ECON, ETRD, EALR, CI

SUBJECT: LIMA MEETING OF ANDEAN PACT COMMISSION

REF: SANTIAGO 1495

1. ANDEAN PACT COMMISSION MEETING IN LIMA FEBRUARY 27 - MARCH 3, APPARENTLY PRODUCED GROUNDS FOR EVENTUAL CONPROMISE SOLUTION OF PROBLEMS FACING MEMBER COUNTRIES, ACCORDING TO ADELIO PIPINO, CHILEAN REPRESENTATIVE TO THE PACT. PIPINO TOLD COMMERCIAL ATTACHE THAT REVIEW OF DECISION 24 OF PACT'S INVESTMENT CODE WILL LIKELY BE AGREED TO WHEN COMMISSION MEETS AGAIN IN LIMA BEFORE THE END OF MARCH.

2. PIPINO REPORTED THAT REPRESENTATIVES OF ALL COUNTRIES BUT PERU AGREED THAT THE 14 PERCENT LIMIT ON FOREIGN FIRMS' PROFIT REMITTANCES SHOULD BE REVISED. ALL AGREE THE LIMIT HAS LITTLE LIMITED OFFICIAL USE

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PRACTICAL EFFECT BUT PERU CLINGS TO IT AS A MEANS OF DRAMATIZING

THE PACT'S TOUGH ATTITUDE TOWARD FOREIGN INVESTMENT.

3. DECISION 24 REQUIREMENT THAT FOREIGN FIRMS EVENTUALLY DIVEST THEMSELVES OF THEIR INVESTMENTS ("FADE-OUT") IS ALSO LIKELY TO BE MODIFIED, ACCORDING TO PIPINO, BUT FORMULA TO ACCOMPLISH MODIFICATION IN A FACE-SAVING WAY HAS NOT YET SURFACED.

4. ALL SIX REPRESENTATIVES AGREED THAT BAN ON "TAKE-OVERS" OF EXISTING NATIONAL ENTERPRISES BY FOREIGN CAPITAL SHOULD BE RELAXED, AT LEAST AS FAR AS CHILE IS CONCERNED. PIPINO REPORTED THAT THERE IS GENERAL ACCEPTANCE THAT CHILE'S SPECIAL CIRCUMSTANCES, I.E., MASSIVE TRANSFER OF PUBLICLY HELD FIRMS TO PRIVATE SECTOR CALL FOR AN EXCEPTION. THIS PRECEDENT ONCE BEING SET, PIPINO FEELS OTHER COUNTRIES WILL FIND "EXCEPTIONAL CIRCUMSTANCES" FROM TIME TO TIME WHICH PROBABLY WILL LEAD TO REQUESTS TO SELL OUT EXISTING NATIONAL FIRMS TO FOREIGNERS. NEVERTHELESS, THE RULE WILL LIKELY STAY ON THE BOOKS AS MOST COUNTRIES FIND IT "CONVENIENT".

5. PIPINO REPORTED THAT CONDITIONS EXIST FOR A COMPROMISE AMONG THE ANDEAN PACT COUNTRIES TO ACCOMMODATE CHILE'S DEMANDS FOR EASIER ENTRY FOR FOREIGN INVESTMENT. CHILE CAN BARGAIN ON THE QUESTION OF SECTORAL ASSIGNMENTS, AS WELL AS THE FORMULA DEFINING THE COMMON EXTERNAL TARIFF, IN ORDER TO ACHIEVE ITS GOALS, PIPINO SAID. (NEVERTHELESS, HE ADDED THAT CHILE WILL CONTINUE TO ANNOUNCE TARIFF REDUCTIONS UNTIL THE GOAL OF AN AVERAGE DUTY INCIDENCE OF 45 PERCENT IS REACHED.)

6. CHILE, WHICH INTENTIONALLY PALLYED DOWN THE LIMA MEETING BY NOT SENDING A CABINET MINISTER, WILL BE REPRESENTED BY "SUPER MINISTER" JORGE CAUASS(FINANCE) WHEN THE COMMISSION RESUMES ITS ACTIVITY AT THE END OF MARCH, PIPINO SAID.
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